

**Escrow Agreement for
Incomplete Construction**

**U.S. Department of Housing
and Urban Development**
Office of Housing
Federal Housing Commissioner

This Agreement is effective as of the _____ day of _____,
by and among _____
(hereinafter, the Mortgagor), and _____
_____ (hereinafter, the Depository), and the
Secretary of Housing and Urban Development, acting through the Federal Housing Commissioner
(hereinafter, the Commissioner).

The Mortgagor is constructing or substantially rehabilitating a housing project identified as HUD
Project No. _____, with the proceeds of a loan (hereinafter, the Mortgage Loan) from
_____ (hereinafter, the
Mortgagee). In the event that the Depository is the Mortgagee, the term Depository refers to the
Mortgagee acting as the Depository. **(In the event the Mortgagee is not the Depository, the
Mortgagee will also execute this Agreement)** The Mortgage Loan is subject to disbursement under a
certain Building Loan Agreement between the Mortgagor and Mortgagee, dated
_____.

Pursuant to a Commitment dated _____, the Commissioner has
insured advances of the Mortgage Loan under Section _____ of the National Housing
Act, as amended, and regulations and directives issued pursuant thereto.

The Mortgagor has not yet completed certain improvements (hereinafter, the Improvements)
required by the Building Loan Agreement. The Improvements are listed, together with the estimated
completion cost, on the attached Exhibit A. The Mortgagor intends to complete the Improvements.

In order to induce the Commissioner to insure the Mortgage Loan in its maximum approved
amount, and in order to induce the Mortgagee to advance the entire approved amount, prior to completion
of the Improvements, the Mortgagor has agreed to provide security for their completion, based on the
estimate on Exhibit A and whatever additional amount is required by the Commissioner.

In consideration of the premises, the parties acknowledge and agree as follows:

1. The Mortgagor will complete the Improvements on or before the _____ day of
_____ (hereinafter, the completion date). The work will be done and
completed, free of liens, in accordance with the Drawings and Specifications referred to in the Building
Loan Agreement. The Mortgagor further agrees to pay for all labor and material necessary to complete
the Improvements.

2. The Mortgagor acknowledges that all work performed pursuant to this Agreement is
subject to the labor standards contained in Form HUD 2554, Supplementary Conditions of the Contract for
Construction, or its replacement, as acknowledged from time to time by the original general contractor in
executing the Contractor's Prevailing Wage Certificate on the back of Form HUD-92448, Contractor's
Requisition, Project Mortgages, or its replacement. The Mortgagor expressly agrees to be bound by the
terms and provision of the said Conditions and the Certificate. Prior to the release of any funds deposited
hereunder, the Mortgagor will submit a Contractor's Prevailing Wage Certificate, or its replacement, duly
executed by each and every contractor performing any of the work, and dated subsequent to the
completion of such work.

3. The Mortgagor has deposited with the Depository, located at _____,
_____, the cash amount of
\$_____, receipt of which is acknowledged by the Depository, to be held and
disbursed by the Depository as follows:

a. In the event the Mortgagor completes the Improvements in accordance with the cited
requirements on or before the completion date, and there is no default under the Mortgage Loan, the
Depository, upon receipt of written approval from the Commissioner, will return the sum deposited
hereunder to the Mortgagor, without interest.

b. In the event the Mortgagor fails to complete the Improvements on or before the completion date, or defaults under the Mortgage Loan, the Depository, upon receiving written instructions from the Commissioner, will pay to the Mortgagee the unexpended balance of the sum deposited hereunder, to be applied to the obligations of the Mortgagor in the amount and manner specified by the Commissioner.

c. In the event the Commissioner determines that the Mortgagor has failed to complete the Improvements in the manner or within the time required by this Agreement, the Mortgagee, with the approval of the Commissioner, will have the right, in its discretion, to complete the Improvements, and to pay the cost thereof, including reasonable costs incurred by the Depository and Mortgagee as a result of such failure, from the amount deposited under this Agreement. For this purpose, the Mortgagor irrevocably appoints the Mortgagee as its attorney-in-fact, with full power of substitution, to do and perform for it, the Mortgagor, in its name, place and stead, all matters and things which the Mortgagee will deem necessary and proper to be done to effectuate the completion of the Improvements, and to apply the amount deposited under this Agreement to the payment of debts, expenses, costs and charges of any kind contracted or incurred in connection therewith. This power of attorney will provide the Mortgagee with full and sufficient authority, and the orders given by the Mortgagee as attorney-in-fact for the Mortgagor will be good and sufficient vouchers for all payments made by virtue thereof. In this connection, the Mortgagee will have full authority to enter into and upon the project, and take charge thereof, together with all materials, appliances, fixtures and other improvements; and, as attorney-in-fact for the Mortgagor, to call upon and require contractors to complete the Improvements. In the event the Mortgagee completes the Improvements in accordance with this Agreement, any unexpended balance of the sum deposited with the Depository will be returned to the Mortgagor, without interest, subject to the rights of the Mortgagee and the Commissioner under the Mortgage Loan and this Agreement. The Mortgagee will not be responsible for the completion of the Improvements beyond the expenditure of the amount deposited with the Depository, and if that amount is insufficient, the Mortgagee will be under no obligation to proceed further with the Improvements or to demand additional sums from the Mortgagor. The power granted herein is coupled with an interest, and the Mortgagor acknowledges and agrees that all powers granted herein to the Mortgagee may be assigned to the Commissioner.

4. The Depository will act at all times on instruction or concurrence from the Commissioner. The Mortgagor expressly releases and relieves the Depository of any and all liability or claims of any nature for so acting. The Depository will have a prior claim on the amount deposited hereunder for any and all costs or expenses, including court costs and reasonable attorney's fees, incurred by it reasonably and in good faith while acting as the Depository

5. This Agreement is made for the benefit of the Mortgagee and Commissioner, either of which shall have the right to act as the Depository, or to enforce the provisions herein.

IN WITNESS WHEREOF, the parties have duly executed this Agreement.

The foregoing agreement, undertaking, statement or certification has been made, presented and delivered for the purpose of influencing an official action of the Federal Housing Administration and the Federal Housing Commissioner, and may be relied upon by the Commissioner as a true statement of the facts contained therein.

MORTGAGOR

DEPOSITORY

By: _____

By: _____

Print name and title

Print name and title

FEDERAL HOUSING COMMISSIONER

MORTGAGEE [*if not acting as Depository*]

By: _____

By: _____

Print name

Authorized Agent

Print name and title